PROMISE

SUN-RYPE ANNUAL REPORT 2000

SUN-RYPE

Profile

Based in the heart of British Columbia's fruit growing district, Sun-Rype Products Ltd. is a leading Canadian manufacturer and marketer of juice-based beverages and 100% all-natural fruit snacks with annual sales of nearly $95 million. Sun-Rype beverages are available primarily in western Canada and the Company's food products are sold throughout the country. Sun-Rype's best known products include Blue Label Apple Juice (the #1 brand in western Canada), Fruit to Go 100% all-natural fruit snacks (Canada's market leader) and Energy to Go 100% all-natural fruit bars.

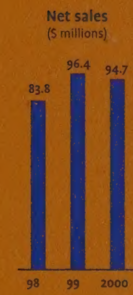
Sun-Rype's common shares trade on The Toronto Stock Exchange under the symbol SRF.

What's behind Sun-Rype's promise?

A powerful brand is important. So is a focused strategy for growth. Most of all, it's the dedication of our employees that enables Sun-Rype to fulfill its promise for customers and investors. In 1998, we pledged to restore the Company's profitability by focusing on core operations – a promise we have kept by posting three consecutive years of record earnings. Today, we continue to build on that commitment by expanding western Canada's leading juice brand into a growing range of innovative fruit-based products from coast to coast. And tomorrow, our promise will continue to be found in the enormous potential of a national market – one in which discriminating consumers place a growing premium on the wholesome qualities long associated with the Sun-Rype name. Pages 2-7 of this report describe why we are proud of our accomplishments and more optimistic than ever about the future.

Contents

Highlights

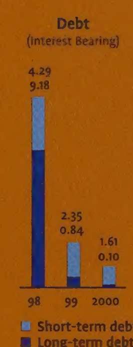


Operating

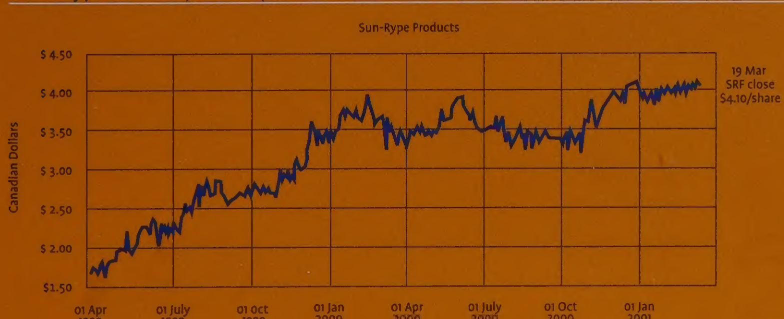
- Fruit to Go and Energy to Go sales in central and eastern Canada increased 23% over 1999
- Record net earnings of $4.9 million ($0.49 per share), including gain of $0.7 million (after tax) on sale of U.S. Fruit to Go trademark
- Reduced long-term bank debt to nil
- Major plant building upgrade completed in 2000
- Agreement signed to revitalize beverage processing and packaging lines in 2001
- Class B shares redesignated as Common shares

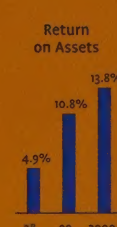
Financial *(in thousands of dollars)*

	2000	1999	% change
Revenue	94,670	96,359	(1.8)
Earnings	4,852	3,933	23.4
Cash flow from operations	7,554	8,094	(6.7)
Debt (interest-bearing)	1,713	3,194	(46.4)
Shareholders' equity	23,798	18,292	30.1



Sun-Rype share price April 1999 to March 2001

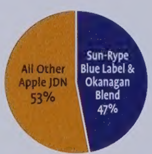




Promises Kept

Three years ago, Sun-Rype pledged a return to profitable growth through a renewed focus on our Canadian snack and beverage business. We also committed to leveraging western Canada's leading juice brand into a growing range of wholesome fruit-based products across the country. Today, Sun-Rype has delivered on those promises.

Shelf Stable Apple JDN Market Share Western Canada



Record financial results

For the year ended December 31, 2000, Sun-Rype posted revenues of $94.7 million, slightly less than the year before. As envisaged in last year's report, sales of our flagship Blue Label Apple Juice were adversely affected by a sharp decline in the availability of process grade apples from the 1999 harvest and a corresponding price increase. Fortunately, our strategy to minimize the impact of commodity price fluctuations is paying dividends. Increased production of juice blends during the year, as well as our continuing diversification into apple-based food products, kept sales relatively strong.

We also continued to prudently manage our operations. As a percentage of sales, cost of sales (62%) and selling, general and administrative expenses (27%) remained essentially unchanged from last year. Progress was also made in strengthening the Company's balance sheet. Overall debt was reduced by $1.5 million during the year, improving our debt to equity ratio from 0.2:1 to 0.1:1.

Net earnings for the year reached a record $4.9 million, a 23.4% increase over the $3.9 million posted in 1999. This figure includes $0.7 million in after-tax earnings from the sale of the U.S. Fruit to Go trademark to Del Monte. The terms of that transaction allow Sun-Rype's use of the Fruit to Go brand in the United States for its dried fruit products. Sun-Rype also retains exclusive rights to the trademark in Canada and other foreign markets.

These accomplishments fulfill our commitment to return the Company to financial health and profitability, something we have achieved with three consecutive years of record earnings and a low debt level. Having achieved those objectives, we have begun to embark on a series of initiatives that will unlock the growth potential of the Company going forward.

Key developments

Our most important accomplishment during the past year was the firm establishment of Sun-Rype as a truly national brand. Fruit to Go, our nutritious 100% fruit snack, ended the year as the #1 product in its category with 96% national distribution and retail Canadian sales of $19 million – a 19% increase over the previous year. Energy to Go, a 100% fruit energy bar that is scheduled for a full consumer marketing support program this year, achieved national distribution of 90% and an 80% increase in retail sales.

The unqualified success of Fruit to Go was supported by a national advertising campaign. You can read more about these initiatives, which also included the launch of our award-winning *activekid.com* website, in the feature section of this report.

In the meantime, we continued to focus on improving the productivity of our core beverage business, where sales declined only marginally to $71 million, despite the aforementioned supply problems with the 1999 harvest. Sun-Rype remains the overall brand leader in western Canada in the ready-to-serve juices/drinks/nectars segment of the market. In particular, we continued to focus on and dominate the apple segment of this category with a 47% share of apple juices and drinks including the #1 selling apple juice, our flagship Blue Label Apple Juice, and the #1 selling apple drink, Okanagan Blend.

We continued to leverage that strong position by developing the Sun-Rype brand in new marketing channels. Our alliance with Pepsi, for example, continues to grow sales of single-serve glass and can products in the complementary convenience store distribution network. During the past year, that alliance was extended into the Ontario market.

We also continued to make progress in the chilled beverage segment of the market through our distribution agreement with Dairyworld. During the past year, we achieved healthy increases in sales per point of distribution, indicating strong consumer acceptance in areas where Sun-Rype chilled products are available. During the next 12 months, we will be working closely with Dairyworld to further advance this opportunity.

Sales generated through the Pepsi and Dairyworld alliances, in addition to Sun-Rype's direct business, resulted in combined Sun-Rype brand sales of more than $110 million in 2000.

The year ahead

Sun-Rype has recently signed an agreement to revitalize the beverage processing and packaging lines in 2001. We are also making a significant investment in research and new product development. North American consumers are leading healthier, more active lifestyles and they are increasingly vigilant about the nutritional quality of the foods they eat. This development is fueling a growing appetite for the naturally healthy products for which Sun-Rype is known.

It's also creating demand for specialized contract manufacturing. With a proven dedication to quality in every stage of our operations and the manufacturing flexibility to meet highly customized requirements, Sun-Rype offers its customers a very cost effective way to bring non-competitive new products to market. We've assigned people resources from marketing, sales and manufacturing to actively pursue contract manufacturing opportunities and we are pleased to report we've signed one food co-pack agreement and are at the letter of intent stage on several others. Plans are underway to increase capacity and enhance technological capabilities in support of these initiatives.

With respect to general market conditions, the outlook remains strong despite a widely anticipated slowdown in the economy. Ours is a consumer products business and the products we make are relatively immune to a general decline in consumer spending. Against this backdrop, we will continue to execute our strategy of bringing innovative new products to an increasingly national market.

Our people

As always, Sun-Rype's performance is based on the hard work and dedication of the more than 385 employees who have enabled us to build upon a cherished reputation for wholesome goodness and quality. Thanks to their efforts, we have managed to live up to our commitments to shareholders, turning in another record performance while positioning the Company to take advantage of the promise of tomorrow. We look forward to reporting on our progress in the months and years ahead.

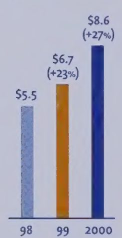
Sincerely,

Lawrence Bates	Merv Geen
President & CEO	Chairman
March 23, 2001	

Promises in Action

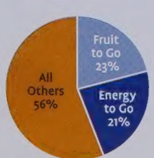
Building on the power of the Sun-Rype brand, we are successfully advancing our strategy of creating new products that reflect Sun-Rype's reputation for quality, fresh taste and natural goodness. At the same time, we are continuing to extend our reach beyond traditional boundaries to promising new markets across Canada.

FTG Retail Sales & % Growth in Central & Eastern Canada
(Dollars in millions)



Total Canada ETG Retail Sales & % Growth
(Dollars in millions)

Fruit Snacks and Leathers Share of Category Growth



Investing in our brand

A strong brand is the most vital ingredient for success in the consumer products business – it's what makes people value and seek out our products. Consumers trust Sun-Rype to deliver wholesome goodness and quality – attributes that have made us the largest manufacturer and marketer of juice-based beverages and fruit snack products in western Canada.

While such dominance is based on a rich heritage of success, we also work hard to ensure the Sun-Rype name remains relevant for each new generation of consumers. So far, we seem to be striking the right chord. Our most recent brand tracking study, October 2000, revealed Sun-Rype as the market leader not just in taste and quality but also in key attributes such as familiarity and trust.

Such top of mind awareness depends on the continuing investment we make to strengthen ties to consumers such as *activekid.com*, our award-winning website that's designed to reinforce how well Sun-Rype products fit with today's active families. *Activekid.com* offers a wide range of interactive games and crafts for kids as well as tantalizing recipes and valuable nutritional information for parents. Such features and promotions have boosted traffic at both our corporate and consumer sites by more than 75% while attracting growing interest from consumers in central and eastern Canada.

Building a national business

During the past year, we employed a variety of carefully integrated consumer support initiatives to advance the development of Fruit to Go as a truly national brand. The #1 selling fruit snack in Canada, Fruit to Go continued to enjoy eager consumer acceptance thanks to its unique positioning. Unlike competing products, Fruit to Go is 100% fruit with no added sugar or other ingredients. These qualities have made Fruit to Go an ideal choice for nutrition-conscious parents.

During the past year, we reinforced these special qualities with an increased level of product support. Our campaign included web-based contests, comprehensive print, outdoor and television advertising campaigns, and special promotions like the Active Kid Challenge, a high-energy, inflatable obstacle course that included performance certificates, prizes and, of course, liberal product sampling opportunities. During the summer, the Active Kid Challenge participated in more than 175 non-profit and community-based family events from British Columbia to Ontario, achieving high quality interaction with more than a quarter million consumers.

Generating results

Such initiatives are paying dividends. Retail sales of Fruit to Go in central and eastern Canada increased 27% in 2000 – double the rate of the fruit snacks category industry-wide. What's more, figures compiled by A.C. Nielsen for the 52 week period ended December 30, 2000 indicate that sales per point of distribution of Fruit to Go – a strong indicator of same store sales – were up 23% in central and eastern Canada. During the second half of 2000, sales per point of distribution in central and eastern Canada exceeded our performance in our traditional western market, signaling the arrival of a successful national brand.

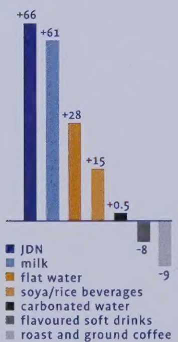
The performance of Energy to Go, a 100% fruit energy bar designed for people who want a convenient, healthy boost of energy as part of their active lifestyles, is similarly encouraging. During the past year, our primary focus was to build a strong distribution base, something we've achieved by exceeding 90% distribution across Canada, a critical threshold that supports the viability of national advertising. During its second year on the Canadian market, Energy to Go achieved retail sales of $6 million, an 80% increase over 1999.

Combined Fruit to Go and Energy to Go generated growth of $5.7 million in national retail sales and accounted for 44% of all growth that occurred in the *fruit snacks and leathers* category in 2000.

The Promise of Tomorrow

Thanks to Canadian consumers' increasingly active lifestyles, and an unprecedented focus on the foods they eat, the fundamentals of our business continue to grow stronger. Combined with our unique market presence and a passionate focus on product development, Sun-Rype's future has never looked brighter.

Beverage Category Growth (2000 vs 1999)
(in millions of dollars)



Percent of Gross Profit Food vs. Beverage

Consumers' healthy appetites

The promise of tomorrow starts with a North American population that is increasingly vigilant about its health, especially the vital impact of proper nutrition and exercise. Sun-Rype is ideally positioned to take advantage of this trend, with a growing range of naturally wholesome snacks and beverages that make it easy for consumers to eat wisely.

During the past year, total category sales of fruit juices/drinks/nectars increased by $66 million to $1.3 billion in retail sales in Canada, once again greater than the growth of any other product category in the beverage market. As the largest manufacturer of juices and juice-based beverages in western Canada, we will benefit from this trend.

Investing for growth

That's why we're continuing to invest in the future. Major initiatives in our shelf stable beverage offerings for 2001 will include exciting changes to our products as well as important technological improvements to our production facilities.

Our snack food business is similarly positioned for growth. In 2001, we will be expanding our marketing initiatives in central and eastern Canada by increasing the size of our sales force and extending our consumer support programs. Following tremendous sales growth in 2000, Fruit to Go will continue to receive strong promotional support through phase 2 of our consumer awareness and trial program, and national advertising and promotion.

It will also be a key year for Energy to Go. Having recently passed critical distribution levels, we will be launching the product at key consumer targets in a major market support program across Canada.

To keep pace with anticipated demand for branded products and take advantage of contract manufacturing opportunities in the snack food business, we are prepared to make a significant investment in our food processing facilities. The rising popularity of a variety of healthy food products has created a growing need for flexible product manufacturing and packaging. With a solid reputation for high quality manufacturing capabilities, Sun-Rype offers food product marketers a relatively low cost means of bringing new, non-competitive products to market.

An apple a day

At the same time, we are continuing to invest in the development of new apple-based food products. Recent studies from the medical center at the University of California at Davis have shown that apple-based juices and foods may be just "what the doctor ordered" to enhance the diets of many North American children and adults. The antioxidants in apple juice have been shown to slow the oxidation of low-density lipoprotein and have the potential to guard the body against disease. Since this report was published in the Winter 2000/2001 edition of the renowned international *Journal of Medicinal Food*, apple juice has joined an elite list of cholesterol fighting foods that includes red wine, tea and purple grape juice.

A growing product pipeline

At present, Sun-Rype has a variety of naturally beneficial food products in the development pipeline with the first consumer trials expected in the second quarter of 2001. Product areas of interest include apple-based wholesome portable snacks, fortified food and beverages, and varietal apple juices.

While the exact nature of these products is confidential, our objective is to achieve a significant contribution in new product sales within the next three years. In all cases, new product introductions will be strictly targeted to: leverage Sun-Rype's reputation for great tasting, wholesome, high quality products; take advantage of our core apple processing capabilities; offer significant long-term growth potential and satisfy our return on invested capital.

Management's Discussion and Analysis

The following discussion and analysis provides a review of current activities and a comparison of the financial position and results of operations of Sun-Rype Products Ltd. as at and for the years ended December 31, 2000 and 1999. It should be read in conjunction with the consolidated financial statements and the accompanying notes.

Operating results & general outlook

Sun-Rype continued to gain momentum during 2000 with a third consecutive year of record earnings. The Company's focus remained on core products (pure apple juice and blends, other concentrate-based juices and beverages, and 100% all-natural fruit snacks and bars). As well, significant inroads were made toward meeting our strategic target of becoming a nationally recognized, branded supplier of fruit-based, healthy products.

Key highlights:

- Sales reached near record levels despite a 1999 apple crop shortage and higher than average apple prices
- Earnings after tax were a record $4.9 million or $0.49 per share including a gain of $0.7 million (after tax) on sale of U.S. Fruit to Go trademark
- Fruit to Go and Energy to Go sales in central and eastern Canada increased 23% over 1999
- Long-term bank debt reduced to zero
- Operating bank debt reduced to less than $1 million
- Major plant building upgrade completed during 2000
- Agreement signed to upgrade beverage processing and packaging equipment during 2001
- Class A multiple-voting shares cancelled and Class B shares redesignated as Common shares

Sales and profitability review

The Company's sales totaled $94.7 million in 2000, a decrease of 1.8% compared to sales of $96.4 million in the prior year. Considering that the 1999 apple crop (which carried over into the first 9 months of the fiscal year 2000) came in at significantly lower volumes and with higher than average prices, the Company believes that achieving this sales level was a significant accomplishment. Management's continued emphasis on optimizing product lines and effectively managing promotion activity to coincide with apple supply was a primary contributor to these operating results. The declines experienced in apple beverage sales were accordingly offset in large part by non-apple beverage sales, industrial sales and private label and co-packing opportunities that utilized excess capacity. On the food side of the business, better than expected sales of Energy to Go and Fruit to Go offset the discontinuation of other product lines with lower profit margins.

During 2000 the wholesale grocery industry in Canada continued to move toward a "national" focus. This complements Sun-Rype's ongoing strategy of building its reputation as a national supplier, able to deliver food products Canada-wide for any national customer. Momentum in central and eastern Canada continued to build as food sales grew by 23% in that market. An integrated national advertising campaign with a heightened focus in central and eastern Canada helped to support these results.

Gross profits in 2000 were $36.2 million or 38.2% compared to $37.0 million or 38.4% in 1999. The $0.8 million decline equates to the net financial impact of lower apple supply volumes and higher

apple prices. Both the food and beverage business segments shared in this decline of gross profit as both segments utilize apples or apple puree as key ingredients in their products.

Selling, general and administrative expenses for 2000 were $25.5 million, lower than last year's $26.0 million by $0.5 million or 1.7%. The sales and marketing portion of these costs increased by $0.3 million overall, with marketing expenditures broadening to support a national advertising campaign for Fruit to Go. These cost increases were partially offset by reduced distribution costs resulting from lower sales volumes in the beverage business. Other administrative expenses declined by $0.8 million over last year, a result of relocating corporate offices to the Kelowna plant and reducing corporate activities compared to 1999.

Amortization declined by 12.6% or $0.5 million compared to 1999. Amortization of tangible assets remained constant at $2.5 million for 2000 and 1999, however amortization of product launch costs decreased as some product lines were fully amortized in late 1999 or prior to December 2000. The Company expects that research and development activity will increase in 2001, resulting in some new product introductions and an eventual reversal of this declining amortization trend.

Interest expense declined from $0.6 million to $0.4 million primarily as a result of reduced debt balances. The Company expects interest expense to remain low in 2001 because of anticipated favorable cash flows and ongoing lower debt levels. Interest expense may rise if debt increases to finance future business opportunities. See the cash flow analysis commentary below regarding expected debt financing activity.

On November 2, 2000 the Company sold the "Fruit to Go" trademark in the United States to Del Monte Corporation for a one-time net gain of $835,000 (after tax $660,000). Sun-Rype retains rights to the Fruit to Go brand for its dried fruit snack in the U.S.A. and also retains exclusive rights to the trademark in Canada and other foreign markets where it is registered.

Earnings before income taxes were $7.5 million compared to $6.4 million in 1999. The improved earnings reflect a continued focus on profitability, and demonstrate the Company's earnings capability even during years of poor apple crop supply.

Income taxes averaged 35.7% of earnings, compared to 38.5% in 1999. The difference in rates is primarily due to adjustments to future income taxes, formerly called deferred income taxes, and the recognition of reassessments of prior years' income tax returns. Effective January 1, 2000 the Company implemented new CICA accounting standards, recognizing future income taxes using the income tax asset and liability method. This change resulted in the restatement of 1999 earnings and the opening retained earnings as at January 1, 1999 for comparative purposes. See notes 1(f), 2 and 14 of the consolidated financial statements of Sun-Rype Products Ltd. for more detailed analysis of these income tax changes.

Net earnings were $4.9 million in 2000, including a gain of $0.7 million (after tax) on the sale of its U.S. Fruit to Go trademark, compared to $3.9 million (restated) in 1999, which translates into earnings per share of $0.49 ($0.47 fully diluted) in 2000 compared to $0.39 ($0.37 fully diluted) in 1999. The Company's share price has also moved up substantially over the past 24 months, ranging from a low of $1.05 in January 1999 to a high of $4.25 per share and a close of $4.15 per share on December 31, 2000.

Cash flows and working capital

Sun-Rype enjoyed strong cash flows in both 1999 and 2000, paying off all long-term bank debt by December 2000 and reducing short-term bank debt to less than $1 million. The Company has a strong balance sheet and is able to take advantage of appropriate business opportunities to optimize profits and generate long-term growth in the future. Cash from operations was $7.6 million in 2000, compared to $8.1 million in 1999. This reflects the ongoing, stable cash generating ability of Sun-Rype's core operations, with the slight reduction in cash flows attributed to the 1.8% decline in 2000 sales volumes as a result of the lower 1999 apple crop.

Inventory balances dropped to an ending balance of 2.0 months' sales in 2000 from 2.4 months' sales in 1999. This reflects the Company's ongoing product rationalization strategy, which is constantly balanced against the need to build inventory levels after the fall apple crop has been harvested in order to sustain subsequent sales promotions each spring and summer.

Other working capital items reflected swings in cash inflows and outflows, primarily based on timing of payments of payables and receipt of receivables.

Overall, working capital changes during 1999 created a cash inflow of $3.7 million, compared to the 2000 cash outflow of $3.0 million. The Y2K situation at the end of December 1999 was a key contributor to these swings; in December 1999 a raw materials and finished goods build up increased accounts payable by $4.0 million and the deferment of income tax payments was $1.2 million. Together these items contributed $5.2 million of positive cash inflows. Higher accounts receivable balances in December 1999 were also experienced as a result of last-minute sales to customers for Year 2000 promotions, creating a $1.4 million cash outflow. The opposite scenario happened in 2000, when accounts payable balances moved back to more normal levels (creating an effective cash outflow of $3.2 million for trade payables and $2.0 million for income tax payments) and accounts receivable and inventories also moved to slightly lower levels (creating a positive cash impact of $0.4 million and $2.0 million respectively).

Overall working capital requirements are not expected to change substantially from 2000, except for an anticipated buildup of inventories to ensure adequate supplies during a plant equipment upgrade and packaging changeover to revitalize the beverage product lines.

Capital investment and financing requirements

Sun-Rype has begun repositioning itself for long-term future growth with its capital investment in 2000. A beverage ultrafilter system utilizing the latest technology was purchased and installed at a cost of approximately $1.0 million. Building renovations at the Kelowna plant were also completed, at a cost of approximately $1.3 million, to extend the life of the facility, provide adequate amenities to employees and ensure readiness for future equipment upgrades. These capital items were in addition to normal maintenance levels of capital expenditure, resulting in aggregate capital expenditures of $3.8 million in 2000. This compares to $1.2 million in 1999, which is a sustaining level of capital expenditure activity.

In 2001, planned capital expenditures are expected to be approximately $3.0 million, which includes some beverage equipment upgrades in addition to sustaining capital. Management anticipates that further spending may also be required if the pursuit of new contract manufacturing opportunities results in new business and increased capacity requirements on the food lines. All capital expenditures over and above routine maintenance must meet internal rate of return and profitability/payback targets prior to implementation.

Deferred expenses, or capitalized product launch costs, were $0.9 million in 2000, slightly higher than the $0.6 million spent in 1999; however both years were at lower investment levels than historically spent by Sun-Rype. The Company has been stabilizing operations by optimizing core product lines and now, with three years of strong earnings and cash flows and after extensive marketing and consumer research, is positioned to begin developing new product lines as long-term growth opportunities. Management expects to increase research and development activity, which will result in increased capitalized launch costs as new products complete the development cycle and flow to the marketplace. New product launch costs to be capitalized in 2001 are expected to be approximately $1.8 million.

In terms of financing, Sun-Rype has successfully paid out all long-term bank debt and nearly all short-term bank debt by December 31, 2000. Further, the Company has managed a normal course issuer bid program for two years, resulting in the repurchase and cancellation of shares worth $1.2 million in 2000 and $0.3 million in 1999. These outflows of cash in 2000 were partially offset by proceeds from the exercise of stock options and issuance of new shares for $1.8 million in 2000 and $0.8 million in 1999.

Going forward, the Company may have additional long-term financing needs during 2001 as a result of the pursuit of new business opportunities. These opportunities may include the expansion of food production lines to meet sales demand or the acquisition of other businesses, which complement existing operations or achieve the Company's strategic goals of becoming a national fruit-based food and beverage player. To this end, a standby long-term debt facility remains in place as at December 2000 for $5.0 million, and the Company's operating line of credit may also provide up to $15.0 million in funds, subject to standard working capital and security requirements. Notwithstanding the above, the Company anticipates that 2001 cash flows will remain at levels similar to or better than 2000.

Balance sheet

With respect to the balance sheet, the Company reduced long-term bank debt to zero and decreased short-term bank debt to $0.8 million by December 2000.

In December 1999, Sun-Rype redeemed its Class A multiple-voting shares from the BC Fruit Growers' Association and in May 2000 cancelled this class of shares and redesignated the remaining Class B (previously subordinate voting) shares as the Company's only authorized, issued and outstanding Common shares.

In May 2000, the Company also redeemed at par value its Class C preference shares owned by BC Tree Fruits Ltd. ("BCTF"), and at the same time BCTF redeemed at par value its preference shares held by Sun-Rype as an investment. The Class C preference shares were redesignated as Preference shares.

Industry outlook

Changes in commodity pricing of apples and fruit juice concentrates, seasonal availability of fruit and changes in crop volumes have traditionally provided challenges in balancing production supply and production costs with market demand. To deal with this issue, Sun-Rype shifts focus and adjusts pricing and promotional strategies on our premium 100% juice products and juice blends which require fewer apples, thereby optimizing sales and profitability in all supply situations. These sales and marketing strategies are carefully evaluated under existing market conditions to mitigate risks associated with consumer acceptance.

The Company's long-term future is dependent upon its ability to continue to develop new products that can successfully compete in the Canadian retail market place under the Sun-Rype brand. Sun-Rype dedicates significant resources to both new product and technical development. These efforts are focused on developing innovative new products and to realize cost efficiencies on existing product lines. The success of newly developed products is dependent upon the Company's ability to maintain consumer brand awareness and loyalty and its ability to maintain an adequate level of distribution within the major grocery chains in Canada.

As our wholesale and retail customers continue to develop a national focus and rationalize their operations, they will increasingly require that suppliers meet national supply and ordering standards. Sun-Rype is positioned to take advantage of this trend with its custom order entry system and its ongoing strategy of expanding operations into central and eastern Canada.

Risks

Supplies

Availability of process grade apples is dependent upon local and U.S. Pacific Northwest harvest conditions. In most years, the Company has been able to source its apples from local suppliers, supplemented by purchases from Washington State as needed. As stated above, Sun-Rype has developed an alternative line of blended juice beverages, which can be marketed aggressively during periods when the supply of apples is unusually low.

Apple and Concentrate Prices

Process grade apples are priced as a commodity, dependent upon both local and world supply. Apple concentrate prices change relative to apple prices. Higher supply prices can be recovered partially through higher product prices, based on limits of market and consumer acceptance and competition from other juice products.

Foreign Exchange

The Company purchases most of its fruit juice concentrates at prices denominated in U.S. dollars, which results in higher costs when the U.S. dollar strengthens relative to the Canadian dollar. The volume of U.S. dollar denominated purchases is 10% or less of total spending and does not represent a material risk to the Company. Sun-Rype maintains a program of forward U.S. dollar purchases and also exports some finished product into the U.S.A. to mitigate a portion of the foreign exchange risk on purchases.

Environment

Sun-Rype maintains an environmental policy that reflects conscientious regard for the environment. Audits are conducted on a regular basis to ensure that appropriate management policies and practices toward waste management, recycling and re-use of products are maintained. Management is of the opinion that expenditures relating to current environmental requirements will not have a material adverse effect on the financial position or earnings of the Company.

Management's responsibility

The management of Sun-Rype Products Ltd. is responsible for the preparation and integrity of the consolidated financial statements of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's best estimates and judgements where necessary. The financial information contained elsewhere in this annual report is consistent with that in the balance sheet, earnings and cash flow statements.

Sun-Rype Products Ltd. maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with Canadian generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of maintaining our system of internal accounting controls should not exceed benefits expected to be derived from the system. The system is supported by written policies and guidelines, and is continuously reviewed.

Deloitte & Touche LLP, independent auditors, are retained to audit Sun-Rype Products Ltd.'s financial statements. Their audit is conducted in accordance with Canadian generally accepted auditing standards and provides an independent assessment that helps assure fair representation of the Company's financial position, results of operations and cash flows. Their opinion on the financial statements is published separately in this annual report.

The Board of Directors, through its Audit Committee, comprised of non-management directors, exercises a monitoring role in the Company's financial affairs and statements. The committee meets with management regularly and the independent auditors as required. These meetings include discussions of internal accounting control and the quality of management and financial reporting. The Finance & Administration department of the Company and the independent auditors have full and free access to the Audit Committee.

Management recognizes its responsibility to conduct Company business in accordance with high ethical standards. Our policy statements and ongoing communications and review programs are designed to ensure this responsibility is fully carried out.

L Bates

Lawrence Bates
President &
Chief Executive Officer

R McGowan

Robert McGowan
Vice President Finance & Administration
Chief Financial Officer

Auditors' report

To the Shareholders of Sun-Rype Products Ltd.

We have audited the consolidated balance sheets of Sun-Rype Products Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
February 2, 2001

Consolidated balance sheets

as at December 31 (in thousands of dollars)

	2000	1999 (restated)
ASSETS		
Current assets		
Accounts receivable (note 4)	$ 8,771	$ 9,176
Inventories (note 5)	10,144	12,105
Prepaid expenses	425	189
Future income tax benefit	347	355
	19,687	21,825
Property, plant and equipment (note 6)	14,857	13,644
Goodwill, net of amortization	104	138
Deferred expenses (note 7)	583	716
	$ 35,231	$ 36,323
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 8)	$ 800	$ 1,607
Promissory note (note 9)	725	752
Accounts payable and accrued liabilities	9,020	12,105
Income taxes payable	-	1,952
Current portion of long-term obligations (note 10)	100	588
	10,645	17,004
Long-term obligations (note 10)	247	413
Future income taxes (note 14)	541	614
	11,433	18,031
Shareholders' equity		
Share capital and contributed surplus (note 11)	18,371	17,717
Retained earnings	5,427	575
	23,798	18,292
	$ 35,231	$ 36,323

APPROVED BY THE BOARD

James E. Scott

Director

Director

See accompanying notes to these financial statements.

Consolidated statements of earnings and retained earnings (deficit)

for the years ended December 31 (in thousands of dollars except per share amounts)

	2000	1999 (restated)
Net sales	$ 94,670	$ 96,359
Cost of sales	58,464	59,341
Gross profit	36,206	37,018
Selling, general & administrative expenses	25,535	25,981
Amortization	3,526	4,035
Interest expense	433	610
Gain on sale of trademark (note 12)	(835)	-
Earnings before income taxes	7,547	6,392
Income taxes (note 14)	2,695	2,459
Net earnings	4,852	3,933
Retained earnings (deficit), beginning of year as originally reported	575	(3,109)
Effect of change in accounting policy (note 2)	-	(249)
Retained earnings, end of year	$ 5,427	$ 575
Earnings per share (note 17)		
Basic	$ 0.49	$ 0.39
Fully diluted	$ 0.47	$ 0.37

See accompanying notes to these financial statements.

Consolidated statements of cash flows

for the years ended December 31 (in thousands of dollars)

	2000	1999 (restated)
Cash provided by (used in):		
Operating activities		
Net earnings	$ 4,852	$ 3,933
Non-cash items:		
Amortization of tangible assets	2,487	2,495
Amortization of goodwill and product launch costs	1,039	1,540
Loss on capital dispositions	4	116
Future income taxes	(64)	(55)
Other	(2)	10
Shares issued for services (note 11)	73	55
Gain on sale of trademark (note 12)	(835)	-
Cash flow from operations	7,554	8,094
Changes in non-cash working capital items (note 15)	(3,021)	3,749
	4,533	11,843
Financing activities		
Proceeds from issue of long-term debt	3,100	5
Repayment of long-term debt	(3,583)	(8,701)
Capital lease payment	(82)	(67)
Shares purchased and cancelled	(1,169)	(341)
Proceeds from issue of shares	1,750	745
	16	(8,359)
Investing activities		
Deferred expenses	(884)	(570)
Proceeds on capital dispositions	113	193
Capital expenditures	(3,806)	(1,175)
Net proceeds on sale of trademark (note 12)	835	-
	(3,742)	(1,552)
Increase in cash position	807	1,932
Bank indebtedness, beginning of year	(1,607)	(3,539)
Bank indebtedness, end of year	$ (800)	$ (1,607)
Supplemental information on cash flows:		
Interest paid	$ 241	$ 446
Income taxes paid	$ 4,627	$ 1,525

Supplemental information on non-cash investing and financing activities:

During 1999 the Company acquired additional capital assets in the amount of $419,000 which were financed by a capital lease (2000 – Nil).

See accompanying notes to these financial statements.

Notes to the consolidated statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of Sun-Rype Products Ltd. and its wholly owned subsidiaries.

(b) Inventories

Raw materials and supplies are recorded at the lower of cost, determined on a weighted average basis, and replacement cost.

Finished goods are recorded at the lower of cost and net realizable value. Finished goods include the cost of direct labour, direct materials and variable overheads related to production, applied at a standard rate which is in line with actual costs. Fixed overhead costs related to production are considered a period cost and, as such, are not included in valuing inventory but are expensed in the period they are incurred.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost, net of investment tax credits. The Company uses the straight line method of providing amortization over the estimated lives of the property, plant and equipment as follows:

Buildings	15-40 years
Equipment	
- Processing	5-25 years
- Other	3-12 years

(d) Goodwill

Goodwill, representing the excess of the purchase price over the estimated fair value of identifiable net assets acquired, is amortized over ten years on a straight-line basis.

(e) Product launch costs

The Company capitalizes certain marketing and product launch costs, which are deferred and amortized over the life of the project, to a maximum of 36 months, commencing with the date of commercialization.

(f) Income taxes and future income taxes

The Company has adopted the new CICA Handbook Section 3465, Income Taxes, for the current year with restatement of 1999 comparative information. Under this new method, the future income tax asset and liability method of accounting for income taxes is used, and future income tax liabilities and future income tax assets are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future benefits of income tax assets including unused tax losses are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These new standards also require that the future income tax assets and liabilities be measured using enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

(g) Foreign currency translation

The Company's foreign subsidiaries are operationally integrated with domestic operations and as a result the Company uses the temporal method to translate transactions and balances denominated in foreign currencies. Under this method monetary items are translated at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at average rates in the month they occurred except for depreciation and amortization which are translated using the same rates as the related assets. Gains and losses on translation are recorded in the statement of earnings except for gains and losses on long-term monetary items which are deferred and amortized over the remaining life of the monetary item.

Notes to the consolidated statements

(h) Stock-based compensation plans

The Company has three stock-based compensation plans, which are described more fully in note 11. Shares issued to members of the board of directors in exchange for services are recorded as a compensation expense in the period services are provided. Stock options issued to senior management or members of the board of directors are not recorded as a compensation expense and any consideration paid by employees or board members upon the exercise of stock options is recorded as an increase to share capital. Contributions by the Company to employees in connection with the Company's stock purchase plan, which is available to all permanent full and part-time employees, are recorded as a compensation expense. Shares are purchased on an eligible employee's behalf by the Company's plan administrator.

(i) Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. The actual amounts could differ from those estimates.

2. CHANGE IN ACCOUNTING POLICY

On January 1, 2000 the Company adopted the future income tax asset and liability method of accounting for income taxes as described in Section 3465 of the Canadian Institute of Chartered Accountants Handbook (see note 1(f)). This change has been applied retroactively with the effect that the opening deficit at January 1, 1999 was increased by $94,000, net earnings for the year ended December 31, 1999 were increased by $271,000, and the current future income tax assets and long-term future income tax liabilities at December 31, 1999 were recorded in the amounts of $355,000 and $614,000 respectively.

On January 1, 2000 the Company also adopted a new CICA accounting standard for post employment benefits, which results in the recognition of an expense and liability for employee future benefits as they are earned based on the current service provided by the employee during the reporting period. This accounting policy change was made on a retroactive basis using the net present value method and discounting estimated future employee benefits payable at a 7.5% discount rate. The retroactive adjustment increased the opening deficit at January 1, 1999 by $155,000 and increased short-term and long-term liabilities at that date by $10,000 and $145,000 respectively. There were no significant changes to employee benefits expense or future benefit liabilities during 1999 or for the year ended December 31, 2000 as a result of this accounting change. Previously, certain employment benefit expenses were recorded when the expenditure was made.

3. INVESTMENTS

The Company held Class C preference shares during 1999 which were classified as a liability and offset against the carrying value of the Company's investment in preference shares of BCTF. This was on the basis that payment of the redemption price upon a retraction of the Class C shares by BCTF would be satisfied by delivery of the preference shares of BCTF held by the Company, which are of equivalent value. On May 5, 2000 the Company redeemed at par value and cancelled all of its outstanding Class C preference shares held by BCTF. At the same time, BCTF redeemed at par value and cancelled the BCTF preference shares held by Sun-Rype.

4. ACCOUNTS RECEIVABLE *(in thousands of dollars)*	**2000**	**1999**
Trade	$ 7,644	$ 8,018
Other	1,127	1,158
Total	$ 8,771	$ 9,176

5. INVENTORIES *(in thousands of dollars)*	**2000**	**1999**
Raw materials and supplies	$ 4,293	$ 5,398
Finished goods	5,851	6,707
Total	$ 10,144	$ 12,105

Notes to the consolidated statements

6. PROPERTY, PLANT AND EQUIPMENT *(in thousands of dollars)*

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 203	$ -	$ 203	$ 203
Buildings	14,180	8,203	5,977	4,933
Processing equipment	26,983	19,910	7,073	7,400
Other equipment	6,051	4,447	1,604	1,108
Total	$ 47,417	$ 32,560	$ 14,857	$ 13,644

Buildings, processing and other equipment includes capital assets under construction with a cost of $169,000 (1999 - $143,000), which will not be amortized until they are put in use. In addition, other equipment includes capital assets financed by a capital lease with a net book value of $226,000 (1999 – $370,000).

7. DEFERRED EXPENSES *(in thousands of dollars)*

	2000	1999
Product launch costs	$ 487	$ 608
Other	96	108
Total	$ 583	$ 716

8. BANK INDEBTEDNESS

The Company has a $15 million operating line of credit with a Canadian bank which bears interest at the bank's prime lending rate (December 31, 2000 – 7.5%). This facility and the long-term debt facility are secured by a general assignment of book debts and an assignment of inventories and demand debentures creating a fixed and floating charge over all Company assets.

9. PROMISSORY NOTE

The promissory note, due on demand in the amount of $725,000, is secured by a letter of credit and bears interest at the bank prime rate plus 1/4%.

10. LONG-TERM OBLIGATIONS *(in thousands of dollars)*

	2000	1999
Long-term bank loan facility of $5.0 million bearing interest at prime plus 1/4% and secured as described in note 8, expiring on December 31, 2003	$ -	$ 483
Capital lease obligations repayable in monthly installments of $8,412 including interest calculated at an average financing rate of 6.75% and secured by specific equipment	188	352
Employee future benefits, calculated using discounted net present value rate of 7.5%	159	166
	347	1,001
Less current portion of:		
Long-term debt	-	(483)
Capital lease (net of imputed interest of $13,000)	(88)	(95)
Employee future benefits (estimated change in net present value)	(12)	(10)
Total	$ 247	$ 413

Notes to the consolidated statements

Minimum future cash payments under long-term debt and capital leases are as follows:

2001	$ 101
2002	64
2003	32
2004	13
2005 – 2006	-
Less: imputed interest	(22)
Total	$ 188

11. SHARE CAPITAL

Authorized

100,000,000	Common shares without par value ("Common shares")
200	Preference shares of $6,750 par value ("Preference shares")

Class A shares

The Class A shares entitled the holder to 50,000,000 votes per share. On January 30, 1999, the British Columbia Fruit Growers' Association ("BCFGA") membership voted to divest itself of the nine Class A shares. The nine shares held by the BCFGA were redeemed and cancelled by the Company on December 1, 1999. As at December 31, 1999, there were no Class A shares issued and outstanding. On May 11, 2000 this class of shares was cancelled.

Common shares

The Common shares (formerly Class B subordinate voting shares) entitle the holder to one vote per share and are fully participating and without par value. These shares represent the only share equity in the Company. The Class B shares were redesignated as Common shares on May 11, 2000. As at December 31, 2000 there were 10,507,200 Common shares issued and outstanding (1999 – 10,148,700).

Preference shares

As at December 31, 1999 there were 163 Class C Preference shares outstanding with a total value of $1,100,250 which had been classified as a liability and offset against the Company's investment in preference shares of BCTF (See note 3). In May of 2000, the Company redeemed at par value and cancelled all of Sun-Rype's outstanding Class C Preference shares held by BCTF. At the same time, BCTF redeemed at par value and cancelled the BCTF preference shares held by Sun-Rype. The Class C Preference shares were redesignated as Preference shares on May 11, 2000. At December 31, 2000 there are 200 Sun-Rype Preference shares authorized with a par value of $6,750 each, none of which are issued or outstanding.

Shareholder rights plan

In 1994 the Company adopted a Shareholder rights plan (the "Rights Plan") to deter coercive and/or unfair takeover strategies. Under the terms of the Rights Plan, the Company authorized the issue of one right for each Common share issued on or subsequent to the date the Rights Plan was adopted. Generally, if any person or group makes a takeover bid not permitted under the Rights Plan, or acquires 15% or more of the Company's outstanding shares without complying with the Rights Plan, the Rights Plan will entitle those holders of rights to purchase, in effect, shares of the Company at 50% of the then market price.

Employee share ownership plan

Effective July 1, 1999, the Company adopted an employee share ownership plan ("ESOP") enabling all permanent full and part-time employees to acquire Common shares through payroll deductions with financial assistance provided by the Company. The shares are purchased by the administrator of the ESOP on either the open market, from the Company or from such other sources as designated by the board of directors. The aggregate number of treasury shares which may by purchased by the administrator is limited to 400,000 shares, subject to specified exceptions. Eligible employees may contribute monthly an amount which shall not exceed 7% of salary and the Company has agreed to contribute 35% of the amount contributed by each eligible employee. All funds and equity shares held by the administrator pursuant to the ESOP are held for the account of the individual eligible employees.

Notes to the consolidated statements

Directors' share compensation plan

The Company is a party to a compensation arrangement whereby a minimum of one half and a maximum of all the annual retainer paid to directors of the Company shall be paid through the issuance of Common shares. The directors are entitled to elect the percentage between 50% and 100% of their annual retainer which they wish to receive by way of share compensation and the Company is obligated to pay the share compensation on or about June 30 and December 31 of each year. The number of Common shares to be issued as share compensation to each director is determined by multiplying the percentage elected by the director by the annual retainer and then dividing the dollar value by the purchase price of the Common shares. The purchase price is determined based on a ten day trading average of the Common shares during a specified period in June and December. The initial aggregate number of Common shares issuable under the plan is limited to 100,000 shares.

Issued and fully paid capital (*dollar amounts in thousands*)	2000 Shares	2000 $	1999 Shares	1999 $
Class A shares				
Opening balance	-	-	9	-
Redeemed shares for cancellation	-	-	(9)	-
Closing balance	-	-	-	-
Common shares, formerly Class B shares				
Opening balance	10,148,700	$ 15,668	9,930,600	$ 15,052
Issued for services	18,500	73	19,500	55
Issued for cash	660,000	1,750	320,000	745
Repurchased and cancelled	(320,000)	(494)	(121,400)	(184)
Closing balance	10,507,200	16,997	10,148,700	15,668
Contributed Surplus				
Opening balance		2,049		2,206
Excess of cost over book value on repurchased and cancelled shares		(675)		(157)
Closing balance		1,374		2,049
Total		$ 18,371		$ 17,717

Share capital transactions

During 2000, the Company issued 18,500 Common shares to board members at an average market value of $3.92 per share as part of their compensation arrangement (1999 – 19,500 shares at an average market value of $2.81 per share).

Normal course issuer bid transactions

During 1999 and 2000 the Company commenced normal course issuer bids ("NCIB"), whereby shares were repurchased for cancellation. During the year, 320,000 shares (1999 – 121,400 shares) were repurchased for cancellation at an average price of $3.65 per share (1999 – $2.88 per share) for a total consideration of $1,169,000 (1999 – $341,000). The excess cost (over book value) of $675,000 (1999 – $157,000) for the repurchased and cancelled shares was applied to contributed surplus.

Stock option transactions

Stock option plans

The Company has adopted stock option plans to provide options to purchase Common shares of the Company for its employees, officers and directors. The options granted pursuant to these plans are exercisable at a price equal to or greater than the fair market value of the Common shares at the time the options are granted. At December 31, 2000 the maximum number of shares reserved under stock option plans was 385,000 Common shares.

Notes to the consolidated statements

BCFGA stock options

During 1999 the BCFGA held options to purchase 400,000 Common shares at an exercise price of $2.75 which were exercisable at various dates until November 12, 2001. During 2000, vesting of the final 80,000 options was accelerated. All BCFGA options were exercised by December 31, 2000.

Stock option activity

	Issued And Outstanding Options	Weighted Average Price
Outstanding at January 1, 1999	1,795,000	$ 2.70
Granted	92,500	2.25
Exercised	(320,000)	2.33
Forfeited	(560,000)	2.31
Outstanding at December 31, 1999	1,007,500	2.45
Granted	37,500	4.00
Exercised	(660,000)	2.65
Outstanding at December 31, 2000	385,000	2.25

The following table summarizes the options outstanding and exercisable at December 31, 2000:

			Options Exercisable	
Number of Options outstanding	Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Exercise Price
265,000	3.0	$ 2.00	265,000	$ 2.00
82,500	3.7	2.25	82,500	2.25
37,500	4.0	4.00	37,500	4.00
385,000	3.2	$ 2.25	385,000	$ 2.25

Shares reserved for future issuance

As at December 31, 2000, the Company has 799,300 Common shares reserved for issuance pursuant to the following:

Employee, directors & officers share option plan	385,000	shares
Employee share ownership plan	400,000	
Board of directors compensation	14,300	
	799,300	shares

Shares under the employee share ownership plan are currently purchased on the open market and the share plan administrator has not used any of the 400,000 shares reserved in Treasury.

12. GAIN ON SALE OF TRADEMARK

On November 2, 2000 the Company sold the "Fruit to Go" trademark in the United States to Del Monte Corporation for cash proceeds of $835,000, net of expenses, resulting in an after-tax gain of $660,000. Sun-Rype retains rights to the "Fruit to Go" brand for its dried fruit snack in the U.S.A. and also retains exclusive rights to the trademark in Canada and other foreign markets where it is registered.

13. PENSION PLAN

The Company maintains a contributory defined contribution pension plan (the "Original Plan") for substantially all of its salaried employees. Pension costs charged to earnings for the defined contribution plan were $204,000 in 2000 (1999 – $241,000).

Notes to the consolidated statements

14. INCOME TAXES *(dollar amounts in thousands)*

Income tax expense

Differences between the statutory rate applicable to the Company and the Company's effective income tax rate applied to the earnings consist of the following:

	2000		1999	
Income tax provision at the combined basic Canadian federal and provincial rate	$ 3,441	45.6%	$ 2,915	45.6%
Adjustment in income tax rate resulting from:				
Manufacturing and processing deduction	(513)	(6.8)	(448)	(7.0)
Non-deductible expenses	139	1.8	57	0.9
Other	(372)	(4.9)	(65)	(1.0)
Effective income tax provision	$ 2,695	35.7%	$ 2,459	38.5%

	2000	1999
The income tax provision consists of the following:		
Current tax expense	$ 2,759	$ 2,436
Future income tax (recovery) expense	(64)	23
Total income tax provision	$ 2,695	$ 2,459

Future income tax assets and liabilities

Significant components of future income tax assets and liabilities are as follows:

	2000	1999
Inventory	$ 23	$ 7
Accruals and deferred income	380	349
Losses and other deductions	383	899
Less: valuation allowance	(152)	(198)
Future income tax asset	634	1,057
Capital assets	(755)	(812)
Investment in BC Tree Fruits Ltd.	-	(428)
Other	(73)	(76)
Future income tax liability	(828)	(1,316)
Net future income tax liability	$ (194)	$ (259)

The net future income tax liability is broken down as follows:

	2000	1999
Current	$ 347	$ 355
Non-current	(541)	(614)
Net future income tax liability	$ (194)	$ (259)

As at December 31, 2000 the Company has capital loss carry forwards of approximately $2,000,000 available to reduce future capital gains.

Notes to the consolidated statements

15. CHANGES IN NON-CASH WORKING CAPITAL ITEMS *(in thousands of dollars)*

	2000	1999
Accounts receivable	$ 405	$ (1,446)
Inventories	1,961	(79)
Prepaid expenses	(236)	55
Accounts payable and accrued liabilities	(3,199)	4,004
Income taxes payable	(1,952)	1,215
Total	$ (3,021)	$ 3,749

16. COMMITMENTS

(a) The Company has entered into operating lease and rental commitments for certain processing and office equipment and office space for the next five years as follows:

2001	$664,000
2002	$334,000
2003	$307,000
2004	$ 87,000
2005	$ 78,000

(b) The Company also has commitments to pay the BCFGA $100,000 annually until 2002 for certain management and consulting services.

(c) Under the terms of certain employment agreements with selected senior officers, the Company is required to provide for compensation to be paid to the individuals in the event of the subsequent termination of the individual's employment. The estimated settlement amount of these obligations is $314,000.

17. EARNINGS PER SHARE

Basic earnings per share is computed using the weighted average number of Common shares outstanding during the year. Fully diluted earnings per share has been calculated using the weighted average number of Common shares which would have been outstanding assuming that additional shares had been issued at the beginning of the period or on the date of issue as applicable, pursuant to the exercise rights of the outstanding stock options. For the purposes of this calculation, funds derived from exercise of the options are assumed to have been invested at an imputed interest rate of 7.0% (1999 – 6.0%).

The weighted average number of non-diluted shares outstanding for the year was 10,004,095 (1999 – 9,983,208).

18. FINANCIAL INSTRUMENTS AND CREDIT RISK

The Company's financial instruments include bank indebtedness, accounts receivable, accounts payable and accrued liabilities and long-term obligations for which the carrying values approximate fair values. The Company also utilizes foreign exchange forward purchase contracts from time to time to hedge risks associated with anticipated future purchases. There were no such contracts outstanding at December 31, 2000.

The Company's customers consist mainly of wholesale and retail grocery suppliers and food distributors principally located in Western Canada. The Company's seven largest customers comprise approximately 75% of sales activity.

The Company's bank borrowings bear interest at rates that vary with changes in the short-term interest rate market. Short and long-term interest expense and the Company's earnings could fluctuate because of changes in the short-term interest rate market.

19. SEGMENTED INFORMATION

The Company operates in one industry segment, the wholesale grocery segment within Canada. Financial statements have therefore not been segmented.

20. COMPARATIVE FIGURES

Certain of the prior years comparative figures have been reclassified to conform with the classifications used in 2000.

21. SUBSEQUENT EVENT

In January 2001 the Company applied for and received approval to commence a new normal course issuer bid beginning January 29, 2001 and expiring January 28, 2002 to purchase up to 300,000 of its Common shares.

Leadership at Sun-Rype

Officers and Executive Management

Lawrence Bates

Appointed to the board of directors of Sun-Rype as President and Chief Executive Officer in 1998, Mr. Bates is a 33 year veteran of the Company who has held several senior positions including Director of Marketing and Sales, Vice President Marketing and Sales, and Vice President and General Manager. Prior to joining Sun-Rype, Mr. Bates spent his early career in food distribution management.

Robert McGowan

Mr. McGowan, a chartered accountant, was appointed Vice President, Finance and Administration and Chief Financial Officer of Sun-Rype in September, 1994. From 1987 until 1994, he was Chief Financial Officer for a public company in Winnipeg.

Brad Buchanan

Mr. Buchanan was appointed Vice President Sales and Marketing of Sun-Rype in January 1999. From 1990 to 1999 he held various sales and sales & marketing positions. Prior to that Brad held advancing sales positions with the Unilever Group of Companies, latterly as General Sales Manager of one of their Canadian companies.

Robert Dick

Mr. Dick was appointed Vice President Manufacturing of Sun-Rype in January 1999. From August 1994 to 1999 he held the position of Director of Manufacturing. Mr. Dick started with Sun-Rype in October 1974 and held various management positions in the manufacturing department.

Gail Prichard

Ms. Prichard was appointed Corporate Secretary of Sun-Rype in January 1997. She joined Sun-Rype in 1991 and prior to her appointment as Corporate Secretary was Assistant Corporate Secretary and Executive Assistant to the President and Chief Executive Officer.

Board of Directors

Merv Geen* ***
Chairman of the Board
Orchardist/Businessman
Rock Creek, BC

Lawrence Bates* ***
President & C.E.O.
Sun-Rype Products Ltd.
Kelowna, BC

Robert Dawson* **
Owner/Manager
Dawson Orchards Ltd.
Cawston, BC

James Eccott* **
Vice Chairman of the Board
Retired President & C.E.O.
of Dia Met Minerals Ltd.
Kelowna, BC

Tom Knowlton***
Dean, Faculty of Business
Ryerson University
Toronto, ON

John Withers**
Private Investor
West Vancouver, BC

Ken Hallat***
Chairman & C.E.O.
Novas Capital Corp.
Vancouver, BC

Jack Moffatt***
President
Celadon Canadian Investments Inc.
Toronto, ON

* member of Executive Committee
** member of Audit Committee
*** member of Strategic Planning Committee

Corporate governance

Since our earliest days as a fruit growers' co-operative, sound corporate governance has been a fundamental and guiding principle at Sun-Rype. We believe that corporate governance is inextricably linked to a company's long-term performance. Furthermore, it is essential for creating a balanced decision-making environment that ensures responsiveness to the needs of various stakeholder groups. At the 2000 AGM Sun-Rype's capital structure was reorganized, cancelling the Class A multiple voting shares previously held by the BCFGA and redesignating the Class B subordinate voting shares as Common shares, thereby placing voting control exclusively with Sun-Rype's equity investors on a one share, one vote basis.

While the Company maintains a close working relationship with the BCFGA, we have welcomed the opportunity to fully democratize the Company's capital structure as well as enhance the diversity of the board. Appointments of independent directors to the board of directors have provided added perspective on the needs of our consumers in the packaged goods industry. With these changes, Sun-Rype continues to comply with both the letter and the spirit of the TSE Guidelines on Corporate Governance including: the separation of the CEO and chairman posts and the maintenance of a majority of independent directors on the board. For a complete description of the Company's corporate governance practices relative to each of the 14 Guidelines, please refer to Sun-Rype's 2001 Management Information Circular.

Six-year historical review

(in thousands of dollars except per share amounts)

OPERATING RESULTS:	2000	1999	1998	1997	1996	1995
Net sales	94,670	96,359	83,811	88,317	80,183	77,418
Gross profit	36,206	37,018	29,083	26,949	26,453	25,779
Gross profit %	38.2%	38.4%	34.7%	30.5%	33.0%	33.3%
Selling, general and administrative expenses	25,535	25,981	20,757	22,172	19,608	22,296
Restructuring expenses	-	-	1,123	3,087	-	-
Other *	(835)	-	(656)	4,408	742	-
EBITDA	11,506	11,037	7,859	(2,718)	6,103	3,483
Depreciation and amortization	3,526	4,035	3,739	3,100	2,349	1,976
EBIT	7,980	7,002	4,120	(5,818)	3,754	1,507
Interest expense	433	610	1,230	748	871	861
EBT	7,547	6,392	2,890	(6,566)	2,883	646
Income taxes	2,695	2,459	1,076	(749)	1,369	369
Net earnings	4,852	3,933	1,814	(5,817)	1,514	277
FINANCIAL POSITION AND CASH FLOW:						
Working capital	9,042	4,821	5,594	3,030	9,323	6,052
Invested capital	25,511	21,486	27,371	36,564	30,002	27,106
Total assets	35,231	36,323	36,678	47,319	40,279	37,250
Interest bearing debt	1,713	3,194	13,471	24,271	12,250	11,016
Shareholders' equity	23,798	18,292	13,900	12,293	17,752	16,090
Cash from operations	7,554	8,094	5,598	1,267	4,782	2,656
Cash from operating activities	4,533	11,843	13,390	(3,993)	3,792	2,943
Capital expenditures	3,806	1,175	1,742	4,966	1,638	1,364
Deferred expenditures-product launch costs	884	570	968	2,108	2,690	(135)
Investment in subsidiaries **	-	-	-	1,302	991	-
FINANCIAL RATIOS:						
Net earnings as % of net sales	5.1%	4.1%	2.2%	-6.6%	1.9%	0.4%
After-tax return on equity	20.4%	21.5%	13.1%	-47.3%	8.5%	1.7%
After-tax return on assets	13.8%	10.8%	4.9%	-12.3%	3.8%	0.7%
Pre-tax (EBIT) return on invested capital	31.3%	32.6%	15.1%	-15.9%	12.5%	5.6%
Current ratio	1.8	1.3	1.4	1.1	1.7	1.4
Debt:equity ratio	0.1	0.2	1.0	2.0	0.7	0.7
PER SHARE INFORMATION:						
Average shares outstanding (000's)	10,004	9,983	9,906	9,798	8,228	10,215
Earnings/share	$0.49	$0.39	$0.18	$(0.59)	$0.18	$0.03
Cash flow/share	0.45	1.19	1.35	(0.41)	0.46	0.29
Book value/share	2.38	1.83	1.40	1.25	2.16	1.58
Share price - high	4.25	3.75	2.50	2.90	2.95	N/A
- low	3.20	1.05	1.05	1.75	1.75	N/A
- close	4.15	3.50	1.40	2.00	2.00	N/A
OPERATING DATA:						
Apple tons processed	40,543	48,452	39,989	39,709	29,470	42,394
Average apple price (per ton)	$160	$107	$90	$148	$217	$148
Apple juice & apple drinks market share ($ volume)	47%	55%	52%	50%	42%	43%
Fruit snacks market share ($ volume) ***	35%	30%	23%	17%	12%	10%

1999 has been restated to reflect a change in accounting policy for future income taxes and employee future benefits. The effect of the change in accounting policy on 1999 opening retained earnings of $249,000 has reduced 1998 ending "shareholders' equity" but has not been reflected in "net earnings" for years prior to 1999.

* Other includes successful defense against Clearly Canadian Beverages takeover bid in 1996, discontinued subsidiary operations in China in 1997 and 1998 and a gain on the sale of the U.S. "Fruit to Go" trademark in 2000.

** Subsidiary investment in 1994 was purchase of Okanagan Dried Fruits Ltd.; subsidiary investment in 1996 and 1997 related to China joint venture.

*** Market Share numbers are for Total West Total Grocery and are based on sales dollar volume to December of each year.

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